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All CDBG Eligible Activities

The policies and procedures in this section apply to all CDBG eligible activities. Additional requirements that apply to specific activity types are included in the eligible activity sections following this one.

Eligible Applicants

Eligible applicants include cities, towns, or counties that are located within Indiana but outside of CDBG entitlement communities and whose proposed activities are consistent with the State's HUD-approved Consolidated Plan. See the Eligible Applicants section for a list of entitlement communities. Not-for-profit 501(c)3 or 501(c)4 organizations, CHDOs, public housing authorities, regional planning commissions, or townships are encouraged to participate in these activities as subrecipients of local units of government but must apply through a sponsoring eligible city, town, or county.

CDBG funds may be used to rehabilitate buildings owned by primarily religious entities to be used for a wholly secular purpose under the following conditions: (1) The building (or portion thereof) that is to be improved with the CDBG assistance has been leased to an existing or newly established wholly secular entity (which may be an entity established by the religious entity); (2) The CDBG assistance is provided to the lessee (and not the lessor) to make the improvements; (3) The leased premises will be used exclusively for secular purposes available to person regardless of religion; (4) The lessor enters into a binding agreement that unless the lessee, or a qualified successor lessee, retains the use of the leased premises for a wholly secular purpose for at least the useful life of the improvements, the lessor will pay to the lessee an amount equal to the residual value of the improvements.

As a general rule, CDBG funds may be used for eligible public services to be provided through a primarily religious entity, where the religious entity enters into an agreement with the recipient or subrecipient from which the CDBG funds are derived that, in connection with the provisions of such services: (1) It will not discriminate against any employee or applicant for employment on the basis of religion and will not limit employment or give preference in employment to persons on the basis of religion; (2) It will not discriminate against any person applying for such public services on the basis of religion and will not limit such services or give preference to persons on the basis of religion; (3) It will provide no religious instruction or counseling, conduct no religious worship or services, engage in no religious proselytizing, and exert no other religious influence in the provision of such public services.

Program Location

Applicants whose housing activity is located within a CDBG entitlement community but can demonstrate that 51% of the beneficiaries will come from outside the CDBG entitlement community are eligible to apply for CDBG funding through IHFA. In this instance the entitlement community cannot serve as the applicant for assistance through IHFA, but another local unit of government would be eligible (e.g., the county or another town whose citizens would benefit from the housing activity).

Applicants whose housing activity is located within a CDBG entitlement community and less than 51% of the beneficiaries will come from outside the CDBG entitlement community are still eligible to apply for CDBG funding through IHFA but only in an amount that is equal to or less than, relative to total housing activity costs, the percentage of beneficiaries located outside of the entitlement community. For example, if 30% of the beneficiaries were located outside of the entitlement community, the applicant could apply for CDBG funds in an amount up to 30% of total housing costs, given all other subsidy limitations. Here again the entitlement community cannot serve as the applicant.

Housing activities, other than owner-occupied rehabilitation, that are located outside the jurisdiction of the local unit of government applicant are eligible if the applicant can demonstrate and document that the activity furthers the applicant's community development objectives and where reasonable benefits from the activity will accrue to residents within the jurisdiction of the local unit of government.

Eligible Housing Activities

This program is intended to have a long-term impact on the availability and quality of the affordable housing stock in Indiana.

Any major household system repaired or replaced as part of the rehabilitation process, must meet the stricter of the Indiana State Building Code or local building codes. Funds may be used to remedy conditions that, while not posing an immediate threat to health and safety, represent an ongoing threat to the structural integrity of a building and may eventually result in an emergency situation. Housing activities may concentrate on rehabilitation to improve accessibility for a targeted class.

Eligible housing activities include:

- Manufactured homes are eligible if they meet IHFA's Manufactured Housing Policy or if rehabilitation will bring the unit up to these standards:
    - A single dwelling unit designed and built in a factory, installed as a permanent residence, which bears a seal certifying that it was built in compliance with the Federal Manufactured Housing Construction and Safety Standards law and which also complies with the following specifications:
        1) Shall have been constructed after January 1, 1981, and must exceed nine hundred fifty (950) square feet of occupied space per I.C. 36-7-4-1106 (d);
        2) Is attached to a permanent foundation of masonry construction and has a permanent perimeter enclosure constructed in accordance with the One and Two Family Dwelling Code;
        3) Has wheels, axles and towing chassis removed;
        4) Has a pitched roof;
        5) Consists of two (2) or more sections which, when joined, have a minimum dimension of 20' X 47.5' enclosing occupied space;
- Owners-occupied rehabilitation that is on land held by the beneficiary in fee-simple title, recorded land sale contract, or 99-year leasehold and is the principal residence of the beneficiary.
- Emergency or youth shelters can be in the form of barracks-style housing.
- Emergency and youth shelters, migrant/seasonal farm worker housing, transitional housing, and rental housing may be in the form of traditional apartments, group homes, or single-room-occupancy units (SROs).
- SRO housing consists of single room dwelling units that are the primary residence of the occupant(s). If the activity consists of conversion of non-residential space, reconstruction, or new construction, SRO units <u>must</u> contain either kitchen or bathroom facilities (they may contain both). For activities involving acquisition or rehabilitation of an existing residential structure, neither kitchen nor bathroom facilities are required to be in each unit. However, if individual units do not contain bathroom facilities, the building must contain bathroom facilities that are shared by tenants. SRO housing does not include facilities for students.

Eligible housing activities **DO NOT** include:

- Creation of secondary housing attached to a primary unit
- Nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, or student dormitories
- Project based tenant assistance
- Rehabilitation of mobile homes
- Acquisition, rehabilitation, or new construction located within the boundaries of a 100-year floodplain
- Rental housing funded with Rental Housing Tax Credits (RHTCs)

Subsidy Limitations

- Combined CDBG funds budgeted for program delivery, award administration, and environmental review cannot exceed 20% of the CDBG award.
- No CDBG funds may be applied toward developer's fee.
- No CDBG funds may be used for reserve accounts for replacement or operating costs. See the description of these costs under Ineligible Costs.
- The proportion of CDBG funds requested to total cost of rehabilitation must not exceed the proportion of units set-aside for low- and moderate-income tenants, and not less than twenty percent (20%) of units must be set-aside.

Award Term

- The CDBG award must be fully expended within an 18-month term.

Leveraging Funds Requirement

- The CDBG applicant must demonstrate eligible leveraging funds equal to 10% of the amount of CDBG funds requested. Please refer to the Definitions in Appendix B for a description of eligible sources of leveraging funds. Owner contributions may count toward this leverage requirement.
- If the applicant is proposing to utilize banked leverage for this activity:
  - And it is the applicant's own banked leverage, the leverage liability on the previous award for which the leverage was generated must already be met and documented with IHFA for the leverage to be eligible. Leverage can only be banked on awards made under the 2002-2003 application package and later.
  - And it is another recipient's banked leverage, the applicant must provide an executed agreement with the application verifying that the recipient is willing to share the leverage. A boilerplate agreement is found in Appendix T.
    - Only banked leverage from closed awards made beginning with the 2002-2003 application package are eligible for sharing with another applicant. The award must be closed before the agreement to share leverage is executed.
    - Leverage cannot be sold or purchased and is provided purely at the discretion of the recipient that generated it.
    - Any excess leverage generated on the new CDBG-funded housing activity will revert back to the recipient that provided the banked leverage.
  - Banked match generated on a HOME award cannot be used as leverage on a future CDBG award. Only banked leverage generated on a CDBG award can be used on a future CDBG award.

Housing Activity Provisions

- The applicant is required to complete the environmental review record and submit it to your IHFA Allocation Analyst prior to application submission. The local unit of government applicant must publish a notice requesting a release of funds no later than 14 days following the application due date and submit the publisher's affidavit to IHFA in a timely manner. Release of funds will be held until IHFA receives the publisher's affidavit. See the Environmental Review Procedures in Appendix A for further explanation of these requirements.
- The applicant, except those doing owner-occupied rehabilitation, must provide evidence of site control in the application (e.g., an executed option to purchase agreement).
- The applicant must submit a copy of their program guidelines with their application. For further guidance on what should be included in the program guidelines, see Appendix S.
- All construction contracts must be executed at least 3 months prior to award expiration date.
- Applicants wanting to utilize *Live the Dream . . . Own a Home©* homeownership counseling curriculum can find ordering information in Appendix K.
- The applicant may provide the CDBG award as a forgivable, amortized, or deferred loan to as many other entities as they choose, except with owner-occupied rehabilitation. These entities must be identified in the application and approved by IHFA. For owner-occupied rehabilitation activities, the applicant must provide the CDBG award as a forgivable, amortized, or deferred loan directly to the beneficiary. If there will be proceeds from this award, the recipient must contact and get approval from IHFA regarding the reuse of these funds. The entities receiving the loans may not reloan the funds to anyone else.
- If the applicant is proposing to do acquisition only:
  - They must certify that there will be no rehabilitation work as part of this undertaking and that the property to be purchased will meet the stricter of the Indiana State Building Code or local building code at the time of purchase. A form is provided in the Environmental Review Procedures in Appendix A for this purpose.
  - No environmental review is required for such activities.
- Award recipients, except those doing owner-occupied rehabilitation, will be required to provide "as is" and "after rehab or construction value" appraisals from a licensed appraiser for all property assisted with the award.
- Award recipients will be required to provide proof of adequate builder's risk insurance during construction and property insurance following construction for the assisted property throughout the affordability period of the award. Recipients doing owner-occupied rehabilitation will need to provide proof of homeowner's property insurance during the construction period only.
- Recipients of CDBG awards for emergency shelters, youth shelters, migrant/seasonal farm worker housing, transitional housing, and rental housing will be required to report certain information about beneficiaries of

assisted units to IHFA annually throughout the affordability period. See the Implementation Manual for further guidance.

Rent Restrictions

- Since emergency and youth shelters are considered public facilities under the CDBG regulations, the intention is that no rent will be charged to the beneficiaries.
- Applicants are not required to charge rent to tenants of transitional housing. However when you do, you cannot charge more rent than the applicable rent limit for each income level served with CDBG-assisted units. For example, if a unit is set-aside for households at or below 40% of the area median income, the applicant must charge a rent that does not exceed the 40% Rent Limit, as published annually by HUD and distributed by IHFA's Community Development Department.
- CDBG-assisted rental units will be rent controlled throughout the affordability period to ensure that the units are affordable to low-income households.
- If an SRO unit does not have kitchen or bathroom facilities, or has either of these but not both, the maximum SRO rent will be the lesser of 75% of the Fair Market Rent (also called the 80% AMI rent limit) or 100% of the applicable rent limit for an efficiency at the applicable rent limit for the targeted AMI. For an SRO unit with both kitchen and bathroom facilities, the maximum SRO rent will be 100% of the applicable rent limit for an efficiency at the applicable rent limit for the targeted AMI. For example, the Fair Market Rent for a 0-bedroom unit in a given county is $300 and the 40% AMI rent limit for a 0-bedroom unit in the same county is $250. The 40% rent limit for an SRO unit in that county that only has a bathroom and not a kitchen would be $225 ($300 X 75% = $225 which is less than $250).
- Published rent limits include the cost of any tenant-paid utilities. You must subtract from the published rent limit an IHFA or HUD approved utility allowance for all utilities that the tenant will be responsible for. For example, the rent limit in a given county is $300. The utility allowance for gas heat is $28, for other electric is $20, and for water is $13. For a unit where the tenant will pay for gas heat, other electric, and water, the maximum allowable rent would be $239 ($300 - $28 - $20 - $13 = $239).
- If the applicant proposes to receive all or a portion of the rent payment via a tenant-based voucher (rental subsidy), the total tenant rent (see Definitions in Appendix B) cannot exceed the published rent limits for the applicable income level. For example, a tenant residing in a unit set-aside for households at or below 40% of the area median income has a voucher that pays $100 of his/her rent, and the published utility allowance for tenant paid utilities for the unit is $50. If the published 40% Rent Limit is $300, the tenant paid portion of rent cannot exceed $150 ($300 Rent Limit - $100 Section 8 Voucher - $50 Utility Allowance = $150 Maximum Tenant Paid Portion).
- If the development has project-based rent subsidy from another HUD or Rural Development program and it will serve all beneficiaries at or below 50% of the area median income for that county, then the rent limits established by the rent subsidy would supercede the CDBG rent limits under this program.
- Rent limits do not include food or the costs of supportive services.

Regulatory Requirements

- All regulatory CDBG requirements listed in 24 CFR Part 570 must be met.
- Recipients of a CDBG award must follow competitive procurement procedures for all costs intended to be reimbursed by the award.
- Emergency and youth shelter construction is subject to the Davis-Bacon wage provisions of 21 CFR Parts 1, 3, 5, and 7 and 29 CFR Parts 1, 3, and 5. Migrant/seasonal farm worker, transitional, or rental housing with 8 or more units under a single ownership and with similar financing may be subject to Davis-Bacon wage provisions. See Application Instructions for further guidance.
- Recipients of a CDBG award are subject to the requirements of the Uniform Relocation Act. See Appendix C for guidance on the regulatory requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended, and Federal regulations at 49 CFR Part 24 and the requirements of Section 104(d) of Title I of the Housing and Community Development Act of 1974, as amended.
- The housing must meet the accessibility requirements of 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet the design and construction requirements at 24 CFR 100.205, which implement the Federal Fair

Housing Act Amendments of 1988 (42 U.S.C. 3601-3619). See Appendix L for guidance on the regulatory requirements of Section 504 Accessibility Standards.

- Recipients of a CDBG award are subject to the HUD requirements of dealing with lead based paint hazards. See Appendix M for the regulatory requirements of lead based paint hazards found in 24 CFR Part 35.
- Recipients of a CDBG award are required to perform an environmental review on all assisted property. For the regulatory requirements of environmental review found in 24 CFR Part 58, see Appendix A and contact your IHFA Allocation Analyst at (800) 872-0371.

Eligible Activity Costs

If you have a question about which line item an expense goes under, contact your IHFA Compliance Specialist.

RETAINAGE POLICY

IHFA will retain 5% of the award amount applied to each property address until the recipient has submitted all the necessary completion reports, leverage documents, and closeout documents. See IHFA's Implementation Manual for a sample of these forms. IHFA will consider variances to the retainage policy on a case-by-case basis. See the Implementation Manual for additional information.

ACQUISITION – Limited to the purchase price and related costs associated with the acquisition of real property. The recipient of a CDBG award will be required to use a title company when purchasing assisted properties.

NEW CONSTRUCTION – Only available for emergency shelters, youth shelters, and migrant/seasonal farm worker housing. If the activity is migrant/seasonal farm worker housing, a qualified Community Based Development Organization (CBDO) as defined by the CDBG regulations in 24 CFR 570.204(c), or by an entity carrying out an activity as defined in Section 105(a)(15) of Title 1 of the Housing and Community Development Act of 1974 as amended, must supervise the construction of this activity. For more information see the definition of a CBDO in the Definitions, Appendix B. Eligible costs include:

- Hard costs associated with new construction activities.
- Utility connections including off-site connections from the property line to the adjacent street.
- Related infrastructure costs - improvements to the development site that are in keeping with improvements of surrounding, standard housing activities. Site improvements may include on-site roads and water and sewer lines necessary to the development.
- For multifamily rental housing, costs to construct an on-site management office, the apartment of a resident manager, or laundry or community facilities which are located within the same building as the housing and which are for the use of the tenants and their guests.
- Stoves, refrigerators, built-in dishwashers, garbage disposals, and permanently installed individual unit air conditioners.
- Contingency funds used for unanticipated hard cost overruns or change orders.

REHABILITATION – Eligible costs include:

- Hard costs associated with rehabilitation activities.
- Lead-based paint interim controls and abatement costs.
- Utility connections including off-site connections from the property line to the adjacent street.
- Related infrastructure costs - improvements to the development site that are in keeping with improvements of surrounding, standard developments. Site improvements may include on-site roads and water and sewer lines necessary to the development.
- For multifamily rental housing, costs to rehabilitate an on-site management office, the apartment of a resident manager, or laundry or community facilities which are located within the same building as the housing and which are for the use of the tenants and their guests.
- Stoves, refrigerators, built-in dishwashers, garbage disposals, and permanently installed individual unit air conditioners.
- Contingency funds used for unanticipated hard cost overruns or change orders.

DEMOLITION – Costs associated with the demolition and clearance of existing structures.

PROGRAM DELIVERY - Program delivery costs are those costs that can be directly tracked back to a particular address. They include soft costs and client-related costs that are reasonable and necessary for the implementation and completion of the proposed activity. This line item can be drawn down 10% at the beginning of the housing activity and then at a rate that does not exceed the rate of drawing down the hard cost line items (e.g., If you have only drawn down 25% of hard costs, then you can only draw down 35% of program delivery).

Eligible costs include:

Engineering/Architectural Plans	Credit reports	Client in-take/income verification
Plans, specifications, work write-ups	Title searches	Impact fees
Inspections	Recording fees	Lead hazard testing
Costs estimates	Private lender origination fees	Realtor fees
Building permits	Appraisals	Legal and accounting fees
Demolition permits	Travel to and from site	Utilities of assisted units

RELOCATION - This includes relocation payments and other relocation assistance for permanently and/or temporarily relocated individuals, families, businesses, nonprofit organizations, and farm operations where assistance is required and appropriate. Relocation payments include replacement housing payments, payments for moving expenses, and payments for reasonable out-of-pocket expenses for temporary relocation purposes. For additional information on relocation and displacement, please refer to the information provided in Appendix C.

ADMINISTRATION - The administration line item includes those costs directly related to administering the IHFA award and complying with the regulations associated with these funds. This line item along with program delivery and environmental review cannot exceed 20% of the CDBG request and generally is between $5,000 and $10,000. This line item can be drawn down 10% at the beginning of the housing activity and then at a rate that does not exceed the rate of drawing down the hard cost line items (e.g. If you have only drawn down 25% of hard costs, then you can only draw down 35% of administration). The costs associated with preparing the application are not eligible for reimbursement through a CDBG award.

Eligible costs include:
Staff time or professional services related to reporting, compliance, monitoring, or financial management

Housing activity related training	Housing activity related travel	Communication costs
Postage	Materials, supplies	Photocopying
Rent and utilities	Lead-based paint training	

ENVIRONMENTAL REVIEW – This line item includes expenses associated with the Section 106 Review and Environmental Review Release of Funds process. This does not refer to a Phase 1 assessment. Those expenses should be included in the Program Delivery line item. Eligible costs for this line item are generally between $2,000 and $5,000 and include professional services, publication costs, photocopying, and postage. For further information regarding this activity, please read Appendix A, Environmental Review Procedures, or contact your IHFA Allocation Analyst.

TRANSITIONAL HOUSING, EMERGENCY SHELTER OR YOUTH SHELTER OPERATING COSTS – This line item is only available for awards that also apply and are awarded CDBG funds for new construction or rehabilitation. This line item is limited to the lesser of $50,000 or 15% of the CDBG request. Provide a detailed explanation of these costs in Appendix H, Supplemental Development Package.

INELIGIBLE COSTS: The following costs are generally ineligible for reimbursement from CDBG funds, unless specifically listed as eligible in an individual Eligible Activity description:

- Commercial development costs **-** All costs associated with the construction or rehabilitation of space within a development that will be used for non-residential purposes such as offices or other commercial uses. This does not include the common area used by tenants of rental property or the leasing office of the apartment manager. CDBG awards cannot be used to underwrite any portion of commercial development costs. The expenses incurred and income to be generated from commercial space must be reported in a separate "Annual Expense Information" sheet and 15-year proforma (see Appendix G).

- Replacement Reserves – Funds used to initially capitalize a reserve fund used for major capital repairs to a rental housing facility. These funds cannot be applied to a CDBG award. These funds can be capitalized either through operating cash flow or through the development budget on Exhibit 8: Uses of Funds.
- Operating Reserves – Funds used to initially capitalize a reserve fund that covers operating expenses when there are rental income shortfalls over the life of a rental development. This line item must be included on Exhibit 8: Uses of Funds for rental developments and should be at least 4 months of operating expenses plus 4 months of debt service. These funds cannot be applied to a CDBG award.
- Developer's Fee – CDBG funds cannot be used to pay developer's fees.
- Cost associated with any IHFA application preparation
- Purchase or installation of luxury items, such as swimming pools
- Purchase or installation of equipment, furnishings, tools, or other personal property that is not an integral structural feature, such as window air conditioner units or washers and dryers. Allowable exceptions to this prohibition, however, include stoves, refrigerators, built-in dishwashers, garbage disposals, and permanently installed individual unit air conditioners.
- Tenant based rental assistance
- Mortgage default/delinquency correction or avoidance
- Loan guarantees
- Annual contributions for operation of public housing

Affordability Requirements

- All subsidies must be secured throughout the affordability period by a written, legally binding, recorded restrictive covenant.
- Emergency shelters, youth shelters, migrant/seasonal farm worker housing, rental housing, transitional housing, or owner-occupied rehabilitation:

Amount of CDBG subsidy per unit:	**Affordability Period**
under $15,000/unit	5 years
$15,000 - $40,000	10 years
over $40,000 per unit	15 years

Refer to the section labeled "All CDBG Eligible Activities" for additional requirements of this program.

Eligible Emergency Shelter Activities

The intent of this activity is to provide funding for the acquisition, rehabilitation, and/or new construction of facilities that provide temporary, emergency housing for homeless people. Emergency shelters are considered public facilities by the CDBG regulations and may be either owned by a public entity or a not-for-profit 501(c)3 or 501(c)4 organization. They are intended to provide shelter for homeless persons or victims of domestic violence. An emergency shelter is designed to provide temporary daytime and/or overnight accommodations for homeless persons and may include appropriate eating and cooking facilities.

Eligible emergency shelter activities **DO NOT** include:

- Homeless prevention activities or the use of commercial facilities for transient housing.
- Transitional housing.

Eligible Beneficiaries

Emergency shelters must serve homeless individuals or families that lack fixed, regular, and adequate nighttime residences, or individuals or families whose primary nighttime residence is: (1) a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill); (2) an institution that provides a temporary residence for individuals intended to be institutionalized; or (3) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings. This term does not include any individual imprisoned or otherwise detained under an Act of the Congress or a State law.

Throughout the affordability period, individuals or families assisted must be persons that are members of groups presumed by HUD to be of low to moderate income (e.g., victims of domestic violence, homeless persons). IHFA presumes these same individuals to have an income at or below 30% of the area median income for that county; therefore, income verification is not required.

Subsidy Limitations

- Maximum award amount is limited to $500,000.
- Maximum CDBG funds per bed may not exceed $20,000.
- Applicants may include the lesser of $50,000 or 15% of the request of CDBG funds for operational funding in their proposed budget. The applicant must specify the exact use of these funds in Appendix H, #11, which must involve either the provision of new services to clients or a substantial increase in the level of services currently provided.

Emergency Shelter Provisions

- **Applicants must have identified the sites to be assisted by the award and obtained site control prior to application submission.**
- The applicant for emergency shelter funding is required to complete Appendix H, Supplemental Development Package, and enclose it with the application.

Refer to the section labeled "All CDBG Eligible Activities" for additional requirements of this program.

Eligible Youth Shelter Activities

The intent of this activity is to provide funding for the acquisition, rehabilitation, and/or new construction of permanent housing for youth until they are of legal age. Youth shelters are considered public facilities by the CDBG regulations and can be either owned by a public entity or a not-for-profit 501(c)3 or 501(c)4 organization. A youth shelter may include appropriate eating and cooking facilities. The housing provided by this program must be full-time (7 days a week, 24 hours a day) and does not include daycare facilities.

Eligible youth shelter activities **DO NOT** include:

- Foster care homes owned by individuals, daycare centers, nursing homes, juvenile detention facilities, county homes, or youth camps.
- Homeless prevention activities or the use of commercial facilities for transient housing.
- Transitional housing.

Eligible Beneficiaries

Youth shelters must serve children under the age of 21 that are either wards of the State or homeless. These children may be pre-delinquent teens, or non-violent, neglected, or abused youth. This term does not include any individual imprisoned or otherwise detained under an Act of the Congress or a State law.

Youth assisted by the activity must be persons that are members of groups presumed by HUD to be of low to moderate income (e.g., wards of the State or homeless). These individuals are presumed by IHFA to be at or below 30% of the area median income for that county; therefore, income verification is not required. This requirement remains in effect throughout the affordability period.

Subsidy Limitations

- Maximum award amount is limited to $500,000.
- Maximum CDBG funds per bed may not exceed $20,000.
- Applicants may include the lesser of $50,000 or 15% of the request of CDBG funds for operational funding in their proposed budget. Applicant must specify the exact use of these funds, which must involve either the provision of new services to clients or a substantial increase in the level of services currently provided.

Youth Shelter Provisions

- **Applicants must have identified the sites to be assisted by the award and obtained site control prior to application submission.**
- The applicant for youth shelter funding is required to complete Appendix H, Supplemental Development Package, and enclose it with the application.

Refer to the section labeled "All CDBG Eligible Activities" for additional requirements of this program.

Eligible Transitional Housing Activities
The intent of this eligible activity is to provide funding for the acquisition, rehabilitation, and/or new construction of short-term housing for homeless individuals or families, including abused persons and their children. The purpose of transitional housing is to link low cost housing with appropriate supportive services to facilitate the movement of homeless persons to permanent housing within 24 months, or a longer period as determined necessary. Developments funded under this program may not be used for temporary or emergency housing at any time.

Eligible transitional housing activities **DO NOT** include:
- Homeless prevention activities or the use of commercial facilities for transient housing.
- Emergency shelters that are designed to provide temporary daytime and/or overnight accommodations for homeless persons.

Eligible Beneficiaries
Transitional housing must serve homeless individuals or families that lack fixed, regular, and adequate nighttime residences, or individuals or families whose primary nighttime residence is: (1) a supervised publicly or privately operated shelter designed to provide temporary living accommodations (this includes welfare hotels, congregate shelters, and transitional housing for the mentally ill); (2) an institution that provides a temporary residence for individuals intended to be institutionalized; or (3) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings. This term does not include any individual imprisoned or otherwise detained under an Act of the Congress or a State law.

At initial occupancy, each household in an assisted unit must have an annual income equal to or less than 80% of the area median family income (adjusted for size) for the target area. Section 8 definitions of household income apply. This requirement remains in effect throughout the affordability period. All beneficiaries who occupy CDBG-assisted transitional housing units must be income recertified on an annual basis.

Subsidy Limitations
- Maximum award amount is limited to $500,000.
- CDBG funds for acquisition, rehabilitation, relocation and program delivery combined may not exceed:
  - $35,000 per 0 bedroom/efficiency unit, or
  - $40,000 per 1or 2 bedroom unit, or
  - $50,000 per 3 or more bedroom unit.
- Applicants may include the lesser of $50,000 or 15% of the request of CDBG funds for operational funding in their proposed budget. Applicant must specify the exact use of these funds in Appendix H, #11, which must involve either the provision of new services to clients or a substantial increase in the level of services currently provided.

Transitional Housing Provisions
- **Applicants must have identified the sites to be assisted by the award and obtained sit e control prior to application submission.**
- The applicant for transitional housing is required to complete Appendix H, Supplemental Development Package, and enclose it with their application.
  - If the applicant intends to charge rent based on the lesser of a percentage of the tenant's income or the applicable rent level, then you must use the rent amount you intend to charged when completing Appendix H.
- Beneficiaries of transitional housing assisted with an IHFA CDBG award must receive appropriate supportive services while residing in the transitional housing.

Refer to the section labeled "All CDBG Eligible Activities" for additional requirements of this program.

Eligible Migrant/Seasonal Farm Worker Housing Activities

The intent of this activity is to provide funding for the acquisition, rehabilitation, and/or new construction of housing that is used temporarily by migrant and/or seasonal farm workers while they are working at a farm or farming related business.

The purpose of farm worker housing is to provide decent, safe, and affordable on-farm housing to farm workers. Assistance is available through local units of government to growers who are owners of existing or vacant housing provided for low-income farm workers.

New construction is allowed only if carried out by a Community Based Development Organization (CBDO) as defined by the CDBG regulations in 24 CFR 570.204(c) or by an entity carrying out an activity as defined in Section 105(a)(15) of Title 1 of the Housing and Community Development Act of 1974 as amended. For more information, see the Definitions in Appendix B or contact your Allocation Analyst.

Eligible migrant/seasonal farm worker activities **DO NOT** include:

- Rehabilitation of dormitory or barracks style housing camps unless you are converting them to apartments or SRO units.
- The use of a facility for an emergency shelter or transitional housing.

Eligible Beneficiaries

- Individuals or families assisted must be persons that are members of groups presumed by HUD to be of low to moderate income (i.e., migrant/seasonal farm workers) and presumed by IHFA to be at or below 30% of the area median income for that county; therefore, income verification is not required. This requirement remains in effect throughout the affordability period.
- An eligible migrant/seasonal farm worker is a person employed in agricultural work of a seasonal or other temporary nature who is required to be absent overnight from his or her permanent place of residence.
- Eligible beneficiaries do <u>not</u> include immediate family members of an agricultural employer or a farm labor contractor, and temporary H-2A foreign workers. H-2A temporary foreign workers are nonimmigrant aliens authorized to work in agricultural employment in the United States for a specified time period, normally less than 1 year.

Subsidy Limitations

- Maximum award amount is limited to $500,000.
- Maximum CDBG funds per bed may not exceed $20,000.
- CDBG funds may not be used for supportive services or operating expenses.

Migrant/Seasonal Farm Worker Housing Provisions

- **Applicants must have identified the sites to be assisted by the award and obtained site control prior to application submission.**
- The applicant for migrant/seasonal farm worker housing is required to complete Appendix H, Supplemental Development Package, and enclose it with the application.
- All migrant and seasonal farm worker housing must provide a minimum floor space of eighty (80) square feet per occupant. All units must provide running water.
- Rehabilitation must meet all Indiana State Department of Health standards for farm worker housing. All migrant and seasonal farm worker housing must obtain a permit to operate from the Indiana State Department of Health. In addition, the construction, installation, or modification of any facility may not begin without having a valid construction permit issued in accordance with the Indiana State Department of Health. An application for a permit to construct any facility must be made at least ninety (90) days prior to the date construction of the facility is to commence.

Rental Rehabilitation - Community Development Block Grant

Refer to the section labeled "All CDBG Eligible Activities" for additional requirements of this program.

Eligible Rental Rehabilitation Activities

IHFA encourages investments that will preserve housing units as decent, safe, and affordable for the long term. This program is for the rehabilitation of existing rental units or conversion of other structures into affordable rental units.

Assisted living facilities are eligible if they provide living arrangements in which some optional services are available to residents (meals, laundry, medication reminders), but residents still live independently within the assisted living complex. Residents of such facilities pay a regular monthly rent and can pay additional fees for the services that they desire.

Eligible rental rehabilitation activities **DO NOT** include:

- Rental developments that also have Rental Housing Tax Credit financing.
- Reserve accounts for replacements and operating costs.

Eligible Beneficiaries

- At initial occupancy, each household in an assisted rental unit must have an annual income equal to or less than 80% of the area median income (adjusted for household size). This requirement remains in effect throughout the affordability period. Section 8 definitions of household income apply.

Subsidy Limitations

- Maximum award amount is limited to $500,000.
- CDBG funds for acquisition, rehabilitation, relocation and program delivery combined may not exceed:
  - $35,000 per 0 bedroom/efficiency unit, or
  - $40,000 per 1 or 2 bedroom unit, or
  - $50,000 per 3 or more bedroom unit.

Rental Rehabilitation Provisions

- **Applicants must have identified the sites to be assisted by the award and obtained site control prior to application submission.**
- All applications must include a completed Rental Development Package (see Appendix G). If the housing activity is scattered site, the applicant must complete a separate Rental Development Package for each mortgage held on the units. For example, if the award will assist a total of six (6) units, but three (3) of the units are on one mortgage, and three (3) of the units are on another mortgage, then the applicant would complete two separate Rental Development Packages for their application.
- The award recipient will be required to resubmit an updated Rental Development Package with their completion report and close-out documents. IHFA will compare this information with that which was submitted with the application. If there are any changes that would have originally resulted in a lower award amount, the applicant may be required to repay a portion of the award.
- The recipient of CDBG funding may provide the award as a forgivable, deferred, or amortized loan to as many for-profit or not-for-profit landlords of multi-family or scattered-site single-family rental housing as they choose.

Underwriting Criteria

- In order to receive a favorable consideration for funding, applicants are strongly encouraged to utilize IHFA's underwriting criteria in planning rental rehabilitation activities. Applications for housing activities that differ from these criteria will have to make a strong and credible argument as to why their criteria is more appropriate for their activity. Acceptable reasons include, but are not limited to, past history of managing these units or similar units, existing contracts or agreements to provide services at a rate that differs from the criteria, requirements of another funding source.

- Operating Expenses without Operating Reserves- $2,700-$3,000 per unit or 35% of gross income, whichever is greater
- Management Fee – 5-7% of "effective gross income" (gross income for all units less vacancy allowance), 1-50 units, up to 7%, 51-100 units, up to 6%, and over 100 units, up to 5%.
- Vacancy Allowance (for year 2 and beyond) – 5-7% of gross rent
- Rental Income Growth Rate – 1-2% per year
- Operating Reserves – four (4) months of operating expenses plus four (4) months of debt service.
- Replacement Reserves - $175 - $300 per unit per year. This item may be capitalized through the development budget (listed on Exhibit 8) or through operating cash flow.
- Operating Expenses Growth Rate – 3-4% per year
- Second year debt coverage ratio minimum of 1.15, maximum of 1.35.

Owner-Occupied Rehabilitation - Community Development Block Award

Refer to the section labeled "All CDBG Eligible Activities" for additional requirements of this program.

Eligible Owner-Occupied Rehabilitation Activities

The intent of this eligible activity is to provide funding for the rehabilitation of housing that is the owner's permanent residence.

Eligible owner-occupied rehabilitation activities include any single-family owner-occupied property, including a one to four family property or a condominium unit. Ownership must be in fee simple title, a contract purchase, or a 99-year leasehold interest, a life estate, a guardian's deed, or equivalent form of ownership approved by HUD or IHFA. For homes being purchased through a land sales contract, both the buyer and seller must sign loan documents and approve all rehabilitation work.

Eligible activities **DO NOT** include:

- Improvements to infrastructure when no additional rehabilitation work will occur to the house.

Eligible Beneficiaries

- Each occupant must own the property and occupy the property as his or her principal residence.
- Each household must have an annual income equal to or less than 80% of the area median family income (adjusted for household size) for the target area. Section 8 definitions of household income apply.

Subsidy Limitations

- Maximum award amount is $300,000.
- CDBG funds for rehabilitation, relocation, and program delivery combined may not exceed:
  - $35,000 per 0 bedroom/efficiency unit, or
  - $40,000 per 1 or 2 bedroom unit, or
  - $50,000 per 3 or more bedroom unit.

Owner-Occupied Rehabilitation Provisions

- The applicant must provide the funds as a forgivable, deferred, or amortized loan directly to the beneficiary.
- The State of Indiana, Department of Financial Institutions, may require any entity providing secondary financing, and that also meets certain criteria listed below, to be licensed by the State of Indiana.
  1. The loans must be issued in the entities name.
  2. The entity must be regularly engaged in making loans by issuing either more than five (5) loans secured by a second mortgage (lien) or more than twenty-five (25) loans if not secured by a mortgage within a twelve (12) month period.
  3. The debt repayment or contractual obligation must be for a term of more than four (4) installments or impose a finance charge at repayment.
     - An application for a loan license as well as a brochure on lending is available at the Department of Financial Institutions website at http://www.dfi.state.in.us, under consumer credit.

Eligible Applicants/Housing Activity Location

Cities, towns, or counties that are Federally declared disaster areas and are outside of CDBG entitlement communities are welcome to approach IHFA regarding funding for the voluntary acquisition and demolition of single-family homes located within a flood plain. Such requests will be considered through a separate funding process from Housing from Shelters to Homeownership. Contact your Allocation Analyst for additional details.

All HOME-Eligible Activities

The policies and procedures in this section apply to all HOME eligible activities. Additional requirements that apply to specific activity types are included in the eligible activity sections following this one.

Eligible Applicants

Eligible applicants include cities, towns, counties, townships, public housing authorities, CHDOs, not-for-profit 501(c)3 or 501(c)4 corporations, and joint ventures between other eligible applicants and for-profit entities and whose proposed activities are consistent with the State's HUD-approved Consolidated Plan.

HOME Investment Partnerships Program funds may not be provided to primarily religious organizations, such as churches, for any activity including secular activities. In addition, HOME funds may not be used to rehabilitate or construct housing owned by primarily religious organizations or to assist primarily religious organizations in acquiring housing. However, HOME funds may be used by a secular entity to acquire housing from primarily religious organizations, and a primarily religious entity may transfer title to property to a wholly secular entity and the entity may participate in the HOME program in accordance with the requirements of this part. The entity may be an existing or newly established entity (which may be an entity established, but not controlled, by the religious organization). The completed housing activity must be used exclusively by the owner entity for secular purpose and available to all persons, regardless of religion. In particular, there must be no religious or membership criteria for tenants of the property.

Housing Activity Location

HOME-funded housing activities, with the exception of transitional housing, must be located within the State of Indiana, but outside of HOME participating jurisdictions. Transitional housing may be located anywhere within the State of Indiana. See the Eligible Applicants section for a list of participating jurisdictions.

Eligible Housing Activities

IHFA encourages investments that will preserve housing units as decent, safe, and affordable for the long term. With HOME-funded activities, rehabilitation must bring each assisted unit totally up to the more stringent of either the State Building Code or local building codes. This is unlike CDBG-funded activities, which require only the individual systems on which work is done be brought up to code. Emergency repair, weatherization, or minor improvement activities are not eligible for this program, but may be funded under the CDBG program.

Eligible housing activities include:

- Transitional or rental housing can be provided in the form of traditional apartments, group homes, or single room occupancy units (SROs).
- SRO housing consists of single room dwelling units that are the primary residence of the occupant(s). If the activity consists of new construction, conversion of non-residential space, or reconstruction, SRO units <u>must</u> contain either kitchen or bathroom facilities (they may contain both). For activities involving acquisition or rehabilitation of an existing residential structure, neither kitchen nor bathroom facilities are required to be in each unit. However, if individual units do not contain bathroom facilities, the building must contain bathroom facilities that are shared by tenants. SRO housing does not include facilities for students.
- Manufactured homes are eligible if they meet Manufactured Housing Policy or if rehabilitation will bring unit up to these standards:
  - A single dwelling unit designed and built in a factory, installed as a permanent residence, which bears a seal certifying that it was built in compliance with the Federal Manufactured Housing Construction and Safety Standards law and which also complies with the following specifications:
    1) Shall have been constructed after January 1, 1981, and must exceed nine hundred fifty (950) square feet of occupied space per I.C. 36-7-4-1106 (d);
    2) Is attached to a permanent foundation of masonry construction and has a permanent perimeter enclosure constructed in accordance with the One and Two Family Dwelling Code;
    3) Has wheels, axles and towing chassis removed;
    4) Has a pitched roof;
    5) Consists of two (2) or more sections which, when joined, have a minimum dimension of 20' X 47.5' enclosing occupied space;

- If the applicant is anticipating applying for Low Income Housing Trust Fund financing for the proposed HOME activity, the applicant may also indicate so on the same HOME application and provide the additional information required for Trust Fund loan applications.
- Applicants applying for HOME funds for developments that previously received other sources of IHFA funding (including RHTCs and Trust Fund), will be allowed but will also be subject to new underwriting and could potentially risk losing or reducing the previous award from IHFA. Previously funded RHTC developments must have received their Form 8609 more than five years prior to application to be eligible to apply.
- Applicants applying for HOME funds for developments that previously received HOME funding should refer to the eligible activities description for "Supplemental HOME, CDBG, or Trust Fund Funding."

Eligible housing activities **DO NOT** include:

- Nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, and student dormitories.
- Rehabilitation of mobile homes.
- Acquisition, rehabilitation, refinancing, or new construction located within the boundaries of a 100-year floodplain
- Creation of secondary housing attached to primary unit.
- Developments that will be applying for rental housing tax credits (RHTC) **must** apply for HOME funds as part of the RHTC application (also called the Qualified Allocation Plan).
- Housing activities funded under Title VI of NAHA, prepayment of mortgages insured under the National Housing Act, public housing developments, or developments funded under HUD's former Rental Rehabilitation Program.
- Costs for supportive services, homeless prevention activities, operating expenses, or for the use of commercial facilities for transient housing.
- Emergency shelters that are designed to provide temporary daytime and/or overnight accommodations for homeless persons.
- HOME loan servicing fees or loan origination costs
- Tenant based rental assistance

Subsidy Limitation

- HOME funds used for acquisition, rehabilitation, new construction, program delivery, relocation, and developer's fee combined cannot exceed:
  - $35,000 per 0 bedroom/efficiency unit, or
  - $40,000 per 1 or 2 bedroom unit, or
  - $50,000 per 3 or more bedroom unit.
- For all housing activities except homeownership counseling/down payment assistance, award funds for administration or CHDO operating costs, environmental review, program delivery, homeownership counseling, and developer's fee combined cannot exceed 20% of the HOME award.
- Award funds for administration or CHDO operating costs cannot exceed 5% of the HOME award.
- Award funds for developer's fee cannot exceed 13% of the HOME award.
- Minimum amount of HOME funds to be used for rehabilitation or new construction is $1,000 per unit.
- No HOME funds can be used for reserve accounts for replacement or operating costs.
- All subsidies must be secured throughout the affordability period by a written, legally binding, recorded restrictive covenant.

Award Term

- The HOME award must be fully expended within a 24-month term.

Matching Funds Requirement

- The applicant must demonstrate eligible matching funds equal to 25% of the amount of HOME funds requested minus administration, environmental review, and CHDO operating costs. Please refer to the Definitions in Appendix B for a description of eligible sources of matching funds.
- If the applicant is proposing to utilize banked match for this activity:

- And it is the applicant's own banked match, the match liability on the previous award for which the match was generated must already be met and documented with IHFA for the match to be eligible. Only HOME-eligible match generated on IHFA awards made in 1999 or later is eligible to be banked.
- And it is another recipient's match, the applicant must provide an executed agreement with the application verifying that the recipient is willing to share the match. A boilerplate agreement is found in Appendix T.
  - Only banked match from closed awards made in 1999 or later is eligible for sharing with another applicant. The award must be closed before the agreement to share match is executed.
  - Match cannot be sold or purchased and is provided purely at the discretion of the recipient that generated it.
  - Any excess match generated on the new HOME-funded housing activity will revert back to the recipient that provided the banked match.
- Banked leverage generated on a CDBG award cannot be used as match on a future HOME award. Only banked match generated on a HOME award can be used on a future HOME award.

Housing Activity Provisions

- The applicant is required to complete the environmental review record and submit it to your Allocation Analyst prior to application submission. All applicants for single site activities must have also completed the Section 106 Review prior to application submission. The local unit of government applicant must publish a notice requesting a release of funds no later than 14 days following the application due date and submit the publisher's affidavit to IHFA in a timely manner. Release of funds will be held until IHFA receives the publisher's affidavit. See the Environmental Review Procedures in Appendix A for further explanation of these requirements.
- Applicants may provide the HOME award as a forgivable, deferred, or amortized loan to as many other not-for-profit or for-profit entities as they choose, except applicants doing owner-occupied rehabilitation and homeownership counseling/down payment assistance (HOC/DPA). These entities must be identified in the application and approved by IHFA. The entities receiving the funds from the applicant may not reloan them to any other entities. Applicants doing owner-occupied rehabilitation and HOC/DPA must provide the funds as a forgivable, deferred, or amortized loan directly to the beneficiaries of the housing activity. If there will be proceeds from this award, the recipient must contact and get approval from IHFA regarding the reuse of these funds.
- The applicant must submit a copy of their program guidelines with their application. For further guidance on what should be included in the program guidelines, see Appendix S.
- If the applicant is proposing to do acquisition only:
  - They must certify that there will be no rehabilitation work as part of this undertaking and that the property to be purchased will meet the stricter of the Indiana State Building Code or local building code at time of purchase. A form is provided in the Environmental Review Procedures in Appendix A for this purpose.
  - No environmental review is required for such activities.
  - They must provide evidence of site control in the application (e.g., an executed option to purchase agreement).
- Award recipients will be required to provide "as is" and after "rehab or construction value" appraisals from a licensed appraiser for all property assisted with the HOME award.
- All construction contracts must be executed at least 3 months prior to award expiration date.
- If a rental or transitional housing development contains 5 or more HOME-assisted units, 20% of the HOME-assisted units must be set aside for households at or below 50% AMI with rents (including utilities) that do not exceed the 50% Rent Limit as published by HUD and distributed by IHFA's Community Development Department.
- Applicants wanting to utilize *Live the Dream . . . Own a Home*© homeownership counseling curriculum can find ordering information in Appendix K.
- Award recipients will be required to provide proof of adequate builder's risk insurance during construction and property insurance following construction for all assisted properties throughout the affordability period of the award. Recipients doing owner-occupied rehabilitation will need to provide proof of homeowner's insurance during the construction period only for all assisted properties. Recipients doing homeownership counseling/down payment assistance and homebuyer activities will <u>not</u> need to provide proof of homeowner's property insurance.

- Recipients of HOME awards for transitional and rental housing will be required to report certain information about beneficiaries of assisted units to IHFA annually throughout the affordability period. See the Implementation Manual for further guidance.

Rent Restrictions

- The HOME-assisted transitional or rental units will be rent controlled throughout the affordability period to ensure that the units are affordable to low-income households.
- Applicants are not required to charge rent to tenants of transitional housing. If you do charge rent, you cannot charge more rent than the applicable HOME rent limit for each income level served with HOME-assisted units. For example, if a unit is set-aside for households at or below 40% of the area median income, the applicant must charge a rent that does not exceed the 40% HOME Rent Limit, as published annually by HUD and distributed by IHFA's Community Development Department.
  - The only exception to this rule is for developments that receive Federally funded project-based rent subsidy and will serve all beneficiaries at or below 50% of the area median income for that county. In such cases, the rent limit established by the Federal subsidy contract takes precedent over the HOME Rent Limit.
- If an SRO unit does not have kitchen or bathroom facilities, or has either of these but not both, the maximum SRO rent will be the lesser of 75% of the Fair Market Rent or 100% of the applicable rent limit for an efficiency. For an SRO unit with both kitchen and bathroom facilities, the maximum SRO rent will be 100% of the applicable rent limit for an efficiency. For example, the Fair Market Rent for a 0-bedroom unit in a given county is $300 and the 40% AMI rent limit for a 0-bedroom unit in the same county is $250. The 40% rent limit for an SRO unit in that county that only has a bathroom and not a kitchen would be $225 ($300 X 75% = $225 which is less than $250).
- Published rent limits include the cost of any tenant-paid utilities. You must subtract from the published rent limit an approved utility allowance for all utilities that the tenant will be responsible for. For example, the rent limit in a given county is $300. The utility allowance for gas heat is $28, for other electric is $20, and for water is $13. For a unit where the tenant will pay for gas heat, other electric, and water, the maximum allowable rent would be $239 ($300 - $28 - $20 - $13 = $239).
- If the applicant proposes to receive all or a portion of the rent payment via a tenant-based voucher (rental subsidy), the total tenant rent (see Definitions in Appendix B) cannot exceed the published rent limits for the applicable income level. For example, a tenant residing in a unit set-aside for households at or below 40% of the area median income has a voucher that pays $100 of his/her rent, and the published utility allowance for tenant paid utilities for the unit is $50. If the published 40% Rent Limit is $300, the tenant paid portion of rent cannot exceed $150 ($300 Rent Limit - $100 Section 8 Voucher - $50 Utility Allowance = $150 Maximum Tenant Paid Portion).
- Rent limits do not include food or the costs of supportive services.
- All tenants who occupy HOME assisted transitional and rental housing units must be income recertified on an annual basis. Section 8 definitions of household income applies.

Regulatory Requirements

- All regulatory HOME requirements listed in 24 CFR Part 92 must be met.
- HOME funding for 12 or more assisted units under a single ownership and with similar financing may be subject to Davis-Bacon wage provisions of 21 CFR Parts 1, 3, 5, and 7 and 29 CFR Parts 1, 3, and 5. See the Application Instructions for further guidance.
- Recipients of a HOME award must follow competitive procurement procedures for all costs that they intend to be reimbursed by the award.
- Recipients of a HOME award are subject to the regulations of the Uniform Relocation Act. See Appendix C for guidance on the regulatory requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended, and Federal regulations at 49 CFR Part 24 and the requirements of Section 104(d) of Title I of the Housing and Community Development Act of 1974, as amended.
- The housing must meet the accessibility requirements of 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet the design and construction requirements at 24 CFR 100.205, which implement the Federal Fair Housing Act Amendments of 1988 (42 U.S.C. 3601-3619). See Appendix L for guidance on the regulatory requirements of Section 504 Accessibility Standards.

- Recipients of a HOME award are subject to the HUD requirements of dealing with lead based paint hazards. See Appendix M for the regulatory requirements of lead based paint hazards found in 24 CFR Part 35.
- Recipients of a HOME award are required to perform an environmental review on all assisted property. For the regulatory requirements of environmental review found in 24 CFR Part 58, see Appendix A and contact your IHFA Allocation Analyst at (800) 872-0371.
- Units must, at a minimum, meet the stricter of the local rehabilitation standards or the Indiana State Building Code.
- Recipients of HOME awards must meet additional energy efficiency standards for new construction as described in 24 CFR 92.251. Namely newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.
- Transitional housing, rental housing, and homebuyer developments with five (5) or more HOME-assisted units must adopt IHFA's Affirmative Marketing Procedures. See Appendix F for further guidance.

Affordability Requirements

- All subsidies must be secured throughout the affordability period by a written, legally binding, recorded restrictive covenant.
- Owner-occupied rehabilitation, homebuyer, and homeownership counseling/down payment assistance:

Amount of HOME subsidy per unit	Affordability Period
under $15,000/unit	5 years
$15,000 - $40,000	10 years
over $40,000 per unit	15 years

- Rental and transitional housing:

Amount of HOME subsidy per unit	Affordability Period
under $15,000/unit	5 years
$15,000 - $40,000	10 years
over $40,000 per unit	15 years
New construction or acquisition of newly constructed housing	20 years

Eligible Activity Costs

If you have a question about which line item an expense goes under, contact your IHFA Compliance Specialist.

RETAINAGE POLICY
IHFA will retain 5% of the award amount or 100% of the developer's fee applied to each property address, whichever is greater, until the recipient has submitted all the necessary completion reports, match documents, and closeout documents. See IHFA's Implementation Manual for a sample of these forms. IHFA will consider variances to the retainage policy on a case-by-case basis. See the Implementation Manual for additional information.

ACQUISITION – Limited to the purchase price and related costs associated with the acquisition of real property. Recipients will be required to use a title company when purchasing or selling assisted properties.

DOWN PAYMENT ASSISTANCE – This line item should include the down payment assistance, closing costs, principal reduction, or interest rate buy-downs provided to program participants. This line item cannot exceed $7,000 per family for homeownership counseling/down payment assistance applications.

NEW CONSTRUCTION – Eligible costs include:

- Hard costs associated with new construction activities.
- Utility connections including off-site connections from the property line to the adjacent street

- Related infrastructure costs - improvements to the development site that are in keeping with improvements of surrounding, standard developments. Site improvements may include on-site roads and water and sewer lines necessary to the development.
- For multifamily rental housing, costs to construct an on-site management office, the apartment of a resident manager, or laundry or community facilities that are located within the same building as the housing and are for the use of the tenants and their guests
- Stoves, refrigerators, built-in dishwashers, garbage disposals, and permanently installed individual unit air conditioners
- Contingency funds used for unanticipated hard cost overruns or change orders.

REHABILITATION – Eligible costs include:

- Hard costs associated with rehabilitation activities
- Lead-based paint interim controls and abatement costs.
- Utility connections including off-site connections from the property line to the adjacent street
- Related infrastructure costs - improvements to the development site that are in keeping with improvements of surrounding, standard developments. Site improvements may include on-site roads and water and sewer lines necessary to the development.
- For multifamily rental housing, costs to rehabilitate an on-site management office, the apartment of a resident manager, or laundry or community facilities that are located within the same building as the housing and are for the use of the tenants and their guests.
- Stoves, refrigerators, built-in dishwashers, garbage disposals, and permanently installed individual unit air conditioners
- Contingency funds used for unanticipated hard cost overruns or change orders.

DEMOLITION – Costs associated with the demolition and clearance of existing structures.

PROGRAM DELIVERY - Program delivery costs are those costs that can be directly tracked back to a particular address. They include soft costs and client related costs that are reasonable and necessary for the implementation and completion of the proposed housing activity. This line item can be drawn down 10% at the beginning of the housing activity and then at a rate that does not exceed the rate of drawing down the hard cost line items. (e.g. If you have only drawn down 25% of hard costs, then you can only draw down 35% of program delivery.)

Eligible costs include:

Engineering/Architectural Plans	Credit reports	Client in-take/income verification
Plans, specifications, work write-ups	Title searches	Impact fees
Inspections	Recording fees	Lead hazard testing
Costs estimates	Private lender origination fees	Realtor fees
Building permits	Appraisals	Legal and accounting fees
Demolition permits	Travel to and from site	Utilities of assisted units

RELOCATION - This includes relocation payments and other relocation assistance for permanently and/or temporarily relocated individuals, families, businesses, nonprofit organizations, and farm operations where assistance is required and appropriate. Relocation payments include replacement housing payments, payments for moving expenses, and payments for reasonable out-of-pocket expenses for temporary relocation purposes. For additional information on relocation and displacement, please refer to the information provided in Appendix C.

HOMEOWNERSHIP COUNSELING – Those costs associated with formal training provided to prospective homebuyers. These costs cannot exceed 20% of homeownership counseling/down payment assistance award requests.

Eligible costs include:

Course material development	Intake	Income verification
Related travel	Meeting space	Loan processing
Underwriting	Credit reports	Program management
Professional services	Postage	Marketing and advertising

DEVELOPER'S FEE – Developer's fees are only available with HOME funded activities and cannot exceed 13% of the HOME award. For rental and transitional housing activities, developer's fee may be drawn down at the following rate: 100% upon construction completion and submission of the completion report and closeout documents to IHFA. In the case of homebuyer activities, developer's fee may be drawn down proportionally as construction on each unit is 100% completed and the completion report and match documents for that unit are submitted.

ADMINISTRATION - The administration line item includes those costs directly related to administering the IHFA award as a whole and complying with the regulations associated with these funds. These costs typically cannot be directly tracked back to a particular address. This line item cannot exceed 5% of a HOME request and generally is between $5,000 and $10,000. This line item can be drawn down 10% at the beginning of the housing activity and then at a rate that does not exceed the rate of drawing down the hard cost line items. (e.g. If you have only drawn down 25% of hard costs, then you can only draw down 35% of award administration.) The costs associated with preparing the application are not eligible for reimbursement through a HOME award. This line item does not incur a match liability for HOME awards.

Eligible costs include:
Staff costs and professional services associated with reporting, compliance, monitoring, or financial management

Affirmative marketing	Lead-based paint training	Postage
Fair housing education	Housing activity related training	Communication costs
Office materials and supplies	Travel for Housing activity related training	Photocopying
Office rent and utilities		

CHDO OPERATING COSTS – CHDO operating costs are those costs directly related to administering the IHFA award and complying with the regulations associated with these funds. HOME funds expended on CHDO operating costs incur no match liability. This line item cannot exceed 5% of a HOME award and generally is between $5,000 and $10,000. This line item can be drawn down 10% at the beginning of the housing activity and then at a rate that does not exceed the rate of drawing down the hard cost line items. (e.g. If you have only drawn down 25% of hard costs, then you can only draw down 35% of CHDO operating costs.) The costs associated with preparing the application are not eligible for reimbursement through a HOME award.

Eligible costs include:
Staff costs and professional services associated with reporting, compliance, monitoring, or financial management

Affirmative marketing	Lead-based paint training	Postage
Fair housing education	Housing activity related training	Communication costs
Office materials and supplies	Travel for housing activity related training	Photocopying
Office rent and utilities		

ENVIRONMENTAL REVIEW – This line item includes expenses associated with the Section 106 Review and environmental review release of funds process. This does not refer to a Phase 1 assessment. Those expenses should be included in the program delivery line item. Eligible costs for this line item are generally between $2,000 and $5,000 and include professional services, publication costs, photocopying, and postage. For further information regarding this activity, please read Appendix A, Environmental Review Procedures or contact your IHFA Allocation Analyst.

INELIGIBLE COSTS – The following costs are generally ineligible for reimbursement from HOME funds, unless specifically listed as eligible in an individual Eligible Activity description:

- Commercial development costs **-** All costs associated with the construction or rehabilitation of space within a development that will be used for non-residential purposes such as offices or other commercial uses. This does not include the common area used by tenants of rental property or the leasing office of the apartment manager. HOME awards cannot be used to underwrite any portion of the commercial costs. The expenses incurred and income to be generated from commercial space must be reported in a separate "Annual Expense Information" sheet and 15-year proforma (see Appendix G).

- Replacement reserves – Funds used to initially capitalize a reserve fund used for major capital repairs to a rental housing facility. These funds cannot be applied to a HOME award. These funds can be capitalized either through operating cash flow or through the development budget on Exhibit 8: Uses of Funds.
- Operating reserves – Funds used to initially capitalize a reserve fund that covers operating expenses when there are rental income shortfalls over the life of a rental development. This line item must be included on Exhibit 8: Uses of Funds for rental developments and should be at least 4 months of operating expenses plus 4 months of debt service. These funds cannot be applied to a HOME award.
- Cost associated with any IHFA application preparation
- Purchase or installation of luxury items, such as swimming pools
- Purchase or installation of equipment, furnishings, tools, or other personal property that is not an integral structural feature, such as window air conditioner units or washers and dryers. Allowable exceptions to this prohibition, however, include stoves, refrigerators, built-in dishwashers, garbage disposals, and permanently installed individual unit air conditioners
- Costs of supportive services
- General operating expenses or operating subsidies
- Tenant based rental assistance
- Mortgage default/delinquency correction or avoidance
- Loan guarantees
- Annual contributions for operation of public housing

Refer to the section labeled "All HOME Eligible Activities" for additional requirements of this program.

Eligible Transitional Housing Activities

The intent of this activity is to provide funding for the acquisition, rehabilitation, and/or new construction of short-term housing for homeless individuals, or families, including abused persons and their children. The HOME program defines transitional housing as housing that (1) is designed to provide housing and appropriate supportive services to persons, including (but not limited to) deinstitutionalized individuals with disabilities, homeless individuals with disabilities, and homeless families with children, and (2) has as its purpose facilitating the movement of individuals and families to independent living within 24 months, or a longer period as determined necessary. Housing funded under this program may not be used for temporary or emergency purposes at any time.

Eligible transitional housing developments **DO NOT** include:

- Costs for supportive services, homeless prevention activities, operating expenses, or for the use of commercial facilities for transient housing.
- Emergency shelters that are designed to provide temporary daytime and/or overnight accommodations for homeless persons.

Eligible Beneficiaries

Transitional housing must serve homeless individuals or families that lack fixed, regular, and adequate nighttime residences, or individuals or families whose primary nighttime residence is: (1) a supervised publicly or privately operated shelter designed to provide temporary living accommodations (such as welfare hotels, congregate shelters, and transitional housing for the mentally ill); (2) an institution that provides a temporary residence for individuals intended to be institutionalized; or (3) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings. This term does not include any individual imprisoned or otherwise detained under an Act of the Congress or a State law.

At initial occupancy, each household in an assisted unit must have an annual income equal to or less than 60% of the county area median family income (adjusted for size). Section 8 definitions of household income apply. This requirement remains in effect throughout the affordability period. Developments with five or more units must set aside at least 20% of the units for households at or below 50% of the area median income for that county.

Subsidy Limitations

- Maximum HOME award is $750,000.

Transitional Housing Provisions

- The applicant for transitional housing is required to complete Appendix H, Supplemental Development Package, and enclose it with the application.
  - If the applicant intends to charge rent based on the lesser of a percentage of the tenant's income or the applicable rent level, then you must use the rent amount you intend to charged when completing Appendix H.
- Applicants will be required to have identified all the units to be assisted under this award an obtained site control prior to application submission. Evidence of site control includes an option to purchase property, a letter of commitment to donate the property, or a deed indicating the applicant has already taken ownership of the property, and must be provided in TAB D.
- Beneficiaries of transitional housing assisted with an IHFA HOME award must receive appropriate supportive services while residing in the transitional housing.
- This activity is considered a CHDO-eligible activity for purposes of the CHDO set-aside as long as the activity takes place within the CHDO's service area.

Additional Regulatory Requirements

- New construction or conversion of non-residential buildings into a transitional housing development must meet Site and Neighborhood Standards as defined in Appendix B, Definitions, and taken from 24 CFR 983.6 (b). See the Site and Neighborhood Standards Questionnaire in the Rental Development Package (Appendix G).

Rental – HOME Investment Partnerships Program

Refer to the section labeled "All HOME Eligible Activities" for additional requirements of this program.

Eligible Rental Activities

Eligible rental activities include acquisition, rehabilitation, rehabilitation/refinance, or new construction. The purpose of this eligible activity is to provide funding for permanent housing that will be rented to income-eligible tenants.

Eligible rental activities include assisted living facilities as long as they meet IHFA's definition. IHFA defines an assisted living facility as living arrangements in which some optional services are available to residents (meals, laundry, medication reminders), but residents still live independently within the assisted living complex. Residents of such facilities pay a regular monthly rent, and then pay additional fees for the services that they desire.

Eligible Beneficiaries

At initial occupancy, each household in a HOME-assisted unit must have an annual income equal to or less than 60% of the area median family income (adjusted for size) for the program county. Section 8 definitions of household income apply. This requirement remains in effect throughout the affordability period. For developments of five or more units, at least 20% of the units must be set-aside for households at or below 50% of the area median income for that county.

Subsidy Limitations

- Maximum award amount is $750,000.

Rental Provisions

- The application must include a completed Rental Development Package (see Appendix G). If the housing activity is scattered site, the applicant must complete a separate Rental Development Package for each mortgage held on the units. For example, if the award will assist a total of six (6) units, but three (3) of the units are on one mortgage, and three (3) of the units are on another mortgage, then the applicant would be required to complete two separate Rental Development Packages for their application.
- Applicants will be required to have identified all the units to be assisted under this award an obtained site control prior to application submission. Evidence of site control includes an option to purchase property, a letter of commitment to donate the property, or a deed indicating the applicant has already taken ownership of the property, and must be provided in TAB D.
- The award recipient will be required to resubmit an updated Rental Development Package with their completion report and close-out documents. IHFA will compare this information with the original application. If there are any changes that would have originally resulted in a lower award amount, the applicant may be required to repay a portion of the award.
- This activity is considered a CHDO-eligible activity for purposes of the CHDO set-aside as long as the activity takes place within the CHDO's service area.

Additional Provisions for Rental Rehabilitation/Refinance

Applicants for rental rehabilitation/refinance must demonstrate that:

- Refinancing is necessary to maintain current affordable units and/or create additional affordable units.
- The primary activity is rehabilitation. The applicant must budget a minimum of 51% of the HOME funds for rehabilitation.
- The development will satisfy a minimum 15-year affordability period.
- Disinvestment in the property has not occurred.
- The long term needs of the development can be met.
- It is feasible to serve the targeted population over the affordability period.
- The amount of funds applied to the refinance budget line item will be made as an amortized loan to the applicant. The applicant should propose an interest rate, term, and amortization period. If the applicant

proposes a balloon payment at the end of the term, a commitment letter from a lender willing to pay off the HOME loan at the end of the term must also be enclosed with the application.

- Applicants for rental rehabilitation/refinance cannot use HOME funds to refinance multifamily loans made or insured by any other Federal program, including, but not limited to, FHA, CDBG, or Rural Development.

Underwriting Criteria

- In order to receive a favorable consideration for funding, applicants are strongly encouraged to utilize IHFA's underwriting criteria in planning rental developments. Applications for developments that differ from these criteria will have to make a strong and credible argument as to why their criteria is more appropriate for that development. Acceptable reasons include, but are not limited to, past history of managing these or similar units, existing contracts or agreements to provide services at a rate that differs from the criteria, requirements of another funding source such as a bank, or past experience with the targeted population that indicates higher or lower operating costs.
  - Operating Expenses without Operating Reserves- $2,700-$3,000 per unit or 35% of gross income, whichever is greater
  - Management Fee – 5-7% of "effective gross income" (gross income for all units less vacancy allowance), 1-50 units, up to 7%, 51-100 units, up to 6%, and over 100 units, up to 5%.
  - Vacancy Allowance (for year 2 and beyond)– 5-7% of gross rent
  - Rental Income Growth Rate – 1-2% per year
  - Operating Reserves – four (4) months of operating expenses plus four (4) months of debt service.
  - Replacement Reserves - $175 - $300 per unit per year. This item may be capitalized through the development budget (listed on Exhibit 8) or through operating cash flow.
  - Operating Expenses Growth Rate – 3-4% per year
  - Second year debt coverage ratio minimum of 1.15, maximum of 1.35.

Additional Regulatory Requirements

- New construction or conversion of non-residential buildings into rental housing under this program must meet all Site and Neighborhood Standards as defined in Appendix B, Definitions, and taken from 24 CFR 983.6 (b). See the Site and Neighborhood Standards Questionnaire in the Rental Development Package (Appendix G).

Refer to the section labeled "All HOME Eligible Activities" for additional requirements of this program.

Eligible Homebuyer Activities

The purpose of this activity is to provide funding to improve the quality of housing stock while at the same time making it affordable for low-income homebuyers. Funding is available for the acquisition and new construction or rehabilitation of housing that will be sold to income-eligible homebuyers.

Eligible Beneficiaries

Each household must have an annual income equal to or less than 80% of the county area median family income (adjusted for household size) at the time the contract to purchase the home is signed. Section 8 definitions of household income apply.

Subsidy Limitations

- The maximum award is $750,000.
- HOME funds may be used for homeownership counseling, but it is limited to $1,000 per unit.
- The applicant for a homebuyer program cannot apply for funding under any other HOME-funded program for the same unit (e.g., homeownership counseling/down payment assistance or down payment assistance that can be obtained with a First HOME mortgage).
- The homebuyer subsidy cannot exceed $15,000 per unit. The remaining amount of subsidy per unit must be going toward development subsidy. Development subsidy is the difference between the appraised value of the property and the total development cost when the appraised value is less than the total development cost.

Homebuyer Provisions

- All applications must include a complete Single-Family Development Package found in Appendix I.
- Applicants doing rehabilitation for this activity must purchase:
  (1) Owner-occupied units,
  (2) Rental units that have been vacant for 3 or more months, or
  (3) Occupied rental units only if the current tenant will become the eventual homebuyer. See Appendix C for further guidance.
- Recipients of a homebuyer award will be required to identify and qualify the homebuyer prior to acquiring and beginning construction on the HOME-assisted unit.
- For CHDO-eligible activities only, HOME funds can be provided as a homebuyer loan but must carry a 0% interest rate and not exceed a 15-year term. The HOME payment may not exceed 20% of the homebuyer's monthly principal and interest payment.
- The affordable payment (Principal, Interest, Taxes, and Insurance) must have a front-end ratio between 10% and 29% of gross income. Applicants should carefully consider the consequences of a mortgage payment that exceeds the back-end affordable payment calculated at 41% of gross monthly income. (Applicants may include a credit of up to $125 towards payment for escrows, utilities, etc.)
- Subsidy analysis must be based on a borrower's payment for a minimum of a 30-year mortgage. The only exception is when a portion of the loan that is coming from a CHDO loan. This portion is based on a 15-year term.
- Applicants for this activity type are required to provide homeownership counseling to all program beneficiaries.
- If the not-for-profit applicant anticipates selling the HOME-assisted unit to a buyer that will utilize an FHA or VA insured mortgage, they may be required to first be approved by HUD to be a secondary lender. Information on how to become a HUD-approved lender can be obtained at http://www.hud.gov/offices/hsg/sfh/np/np_prog.cfm or by calling the HUD's Atlanta Homeownership Center toll free at (888) 696-4687 ext. 2055.
- This activity is considered a CHDO-eligible activity for purposes of the CHDO set-aside as long as the activity takes place within the CHDO's service area.
- The State of Indiana, Department of Financial Institutions, may require that an entity providing secondary financing, and that also meets certain criteria listed below, be licensed by the State of Indiana.
  1. The loans must be issued in the entities name.

2. The entity must be regularly engaged in making loans by issuing either more than five (5) loans secured by a second mortgage (lien) or more than twenty-five (25) loans if not secured by a mortgage within a twelve (12) month period.
3. The debt repayment or contractual obligation must be for a term of more than four (4) installments or impose a finance charge at repayment.

- An application for a loan license as well as a brochure on lending is available at the Department of Financial Institutions website at http://www.dfi.state.in.us, under consumer credit.

- According to 24 CFR 92.254(a)(2) in the case of acquisition of newly constructed housing or standard housing, the property must have a purchase price that does not exceed the FHA 203(b) mortgage limits. In the case of acquisition with rehabilitation, the property must have an estimated value after rehabilitation that does not exceed the FHA 203(b) mortgage limits. For a list of current mortgage limits, see the appropriate FSP Memo on IHFA's website at http://www.IN.gov/ihfa/ihfaprograms/development/compliance/memos/memos.html.
- Applicants must propose in their application which method (i.e., recapture or resale) they will use to ensure the affordability of assisted properties throughout the affordability period. For additional guidance on these methods, see Appendix Q, Recapture/Resale Provisions.
- The HOME-assisted housing unit must be occupied as the homebuyer's principal residence throughout the program's affordability period. The length of the mandatory affordability period is found in the section labeled "All HOME-Eligible Activities."

Owner-Occupied Rehabilitation - HOME Investment Partnerships Program

Refer to the section labeled "All HOME Eligible Activities" for additional requirements of this program.

Eligible Owner-Occupied Rehabilitation Activities

HOME funds may be used for the rehabilitation of houses currently occupied by the owner and used as his/her primary residence. Eligible activities include any owner-occupied single-family property, including a one- to four-family property or a condominium unit. Ownership must be in fee simple title or a 99-year leasehold interest or equivalent form of ownership approved by HUD or IHFA.

Eligible Beneficiaries

- The occupant must own the property and use it as his or her principal residence.
- Each household must have an annual income equal to or less than 80% of the area median income (adjusted for household size) for the program county. Section 8 definition of household income applies.

Subsidy Limitations

- Maximum HOME award is $300,000.
- HOME funds may not be applied to developer's fee for this activity.

Owner-Occupied Rehabilitation Provisions

- The appraised value of the HOME-assisted unit after rehabilitation must not exceed FHA 203(b) mortgage limits for the area.
- Although a CHDO can undertake this activity, it does not qualify as a CHDO-eligible activity for purposes of the CHDO set-aside.
- The State of Indiana, Department of Financial Institutions, may require that an entity providing secondary financing, and that also meets certain criteria listed below, be licensed by the State of Indiana.
    1. The loans must be issued in the entities name.
    2. The entity must be regularly engaged in making loans by issuing either more than five (5) loans secured by a second mortgage (lien) or more than twenty-five (25) loans if not secured by a mortgage within a twelve (12) month period.
    3. The debt repayment or contractual obligation must be for a term of more than four (4) installments or impose a finance charge at repayment.
    - An application for a loan license as well as a brochure on lending is available at the Department of Financial Institutions website at http://www.dfi.state.in.us, under consumer credit.
- The HOME-assisted housing unit must be occupied as the homebuyer's principal residence throughout the program's affordability period. The length of the mandatory affordability period is found the section labeled "All HOME-Eligible Activities."
- If the not-for-profit applicant anticipates assisting a homeowner that has an FHA or VA insured mortgage, they may be required to first be approved by HUD to be a secondary lender. Information on how to become a HUD-approved lender can be obtained at http://www.hud.gov/offices/hsg/sfh/np/ np_prog.cfm or by calling the HUD's Atlanta Homeownership Center toll free at (888) 696-4687 ext. 2055.

Homeownership Counseling/Down Payment Assistance - HOME Investment Partnerships Program

Refer to the section labeled "All HOME Eligible Activities" for additional requirements of this program.

Eligible Homeownership Counseling/Down Payment Assistance Activities

The intent of this program is to provide a small amount of down payment assistance to income-eligible homebuyers in order to make the home affordable. The funding for homeownerships counseling under this program is primarily intended to cover the cost of counseling those individuals also receiving down payment assistance. Homeownership counseling must be proposed as a component of all down payment assistance requests under this HOME-funded activity. HOME funds for homeownership counseling activities must benefit low- to moderate-income households only. ***The intended result of a homeownership counseling program must be the purchase of a home by households participating in the program within a 24-month period.*** Homeownership counseling should ***not*** be targeted at large numbers of individuals, nor should it be designed to assist with other housing problems such as locating adequate rental housing.

Applicants may request a small amount of funds for rehabilitation in conjunction with this undertaking, if the purpose of these funds is to provide minor modifications for accessibility purposes. (See Subsidy Limitations.) Applicants proposing to do this must complete the environmental review record and submit it to their Allocation Analyst prior to application submission. See the Environmental Review Procedures in Appendix A for further explanation of these requirements.

Homeownership counseling includes activities such as:
- Budget counseling
- Credit review and improvement assistance
- Instruction in home maintenance and repair
- Case management for program participants
- Post-purchase counseling (HOME funds may be used for a maximum of 3 months of counseling following the purchase of a HOME-assisted property)

Down payment assistance funds may be used for:
- Down payment assistance
- Assistance with standard and customary closing costs (including the cost of required property inspections)
- Payment of one-time private mortgage insurance premiums or the purchase of private loan guarantees
- Direct mortgage financing for the acquisition of new or existing homes, particularly where blended with other mortgage financing
- Interest rate or principal buy downs

Eligible homeownership counseling/down payment assistance activities **DO NOT** include:
- Housing counseling activities without a HOME down payment assistance component
- Mortgage default and delinquency correction and avoidance
- Loan guarantees made directly by the recipient or subrecipient
- Rehabilitation loans to new or existing homeowners
- Construction of new housing
- Infrastructure in support of new housing
- Purchase of vacant land, tools, non-fixed equipment, or furnishings

Eligible Beneficiaries

Households receiving homeownership counseling and down payment assistance must have gross annual incomes equal to or less than 80% of the area median income for the program county, adjusted for household size, at the time of purchase. Section 8 definitions of household income apply.

Applicants must restrict down payment assistance only to those individuals purchasing:

(1) Owner-occupied units,

(2) Rental units that have been vacant for 3 or more months, or

- (3) Occupied rental units only if the current tenant will become the eventual homebuyer. See Appendix C for further guidance.

Subsidy Limitations

- Maximum award amount is $300,000.
- IHFA has established a maximum subsidy allowance of
  - $7,000 per unit in HOME funds from the down payment assistance budget line item for beneficiaries at or below 50% of area median income, or 10% of the purchase price of the home, whichever is less.
  - $3,500 per unit in HOME funds from the down payment assistance budget line item for beneficiaries at or below 80% of area median income, or 10% of the purchase price of the home, whichever is less.
- HOME funds requested for homeownership counseling may not exceed 20% of the HOME award.
- HOME funds budgeted for program delivery are limited to 1% of the award for client-specific program delivery costs and another 1% for program delivery costs not applied to the individual unit. See the section for "All HOME Eligible Activities" for further explanation of these costs.
- HOME funds for homeownership counseling/down payment assistance obtained through this program cannot be used in conjunction with other HOME-assisted housing units, including homebuyer and down payment assistance through IHFA's First HOME mortgage**.**
- The minimum level of HOME funds to be used for down payment assistance is $1,000 per unit.
- The amount of funds that can be requested for minor modifications for accessibility only is limited to $6,000 per unit.
- The HOME subsidy for down payment assistance must be secured by a written, legally binding, recorded agreement between the award recipient and the homebuyer. The provisions of the agreement must be in compliance with the HOME recapture/resale provisions outlined in Appendix Q and in the State of Indiana's Consolidated Plan.
- The HOME-assisted housing unit must be occupied as the homebuyer's principal residence throughout the program's affordability period. The length of the mandatory affordability period is found the section labeled "All HOME-Eligible Activities."

Homeownership Counseling/Down Payment Assistance Provisions

- The purchase price of HOME-assisted units must not exceed FHA 203(b) mortgage limits for the area.
- Prior to the transfer of any homeownership interests, the unit being purchased must be inspected and it must meet or exceed the more stringent of the State Building Code or local building codes.
- Applicants are strongly encouraged to offer the beneficiaries of this program both one-on-one counseling and post purchase counseling in addition to a classroom setting prior to purchase.
- If the not-for-profit applicant anticipates providing HOME-funded down payment assistance to a buyer that will utilize an FHA or VA insured mortgage, they may be required to first be approved by HUD to be a secondary lender. Information on how to become a HUD-approved lender is included in FSP Memo 02-07 on IHFA's website, on HUD's website at http://www.hud.gov/offices/hsg/sfh/np/np_prog.cfm, or by calling HUD's Atlanta Homeownership Center toll free at (888) 696-4687 ext. 2055.
- HOC/DPA recipients will no longer be required to complete a Single Family Proforma to determine the amount of subsidy allowed for each household. The recipient cannot, though, provide assistance to a homebuyer if the amount of the principal, interest, taxes, and insurance payment exceeds 29% of the homebuyer's gross income.
- Although CHDOs may undertake this type of activity, it is not considered a CHDO-eligible activity for purposes of the CHDO set-aside.
- The State of Indiana, Department of Financial Institutions, may require that an entity providing secondary financing, and that also meets certain criteria listed below, be licensed by the State of Indiana.
  1. The loans must be issued in the entities name.
  2. The entity must be regularly engaged in making loans by issuing either more than five (5) loans secured by a second mortgage (lien) or more than twenty-five (25) loans if not secured by a mortgage within a twelve (12) month period.
  3. The debt repayment or contractual obligation must be for a term of more than four (4) installments or impose a finance charge at repayment.

- An application for a loan license as well as a brochure on lending is available at the Department of Financial Institutions website at http://www.dfi.state.in.us, under consumer credit.

Eligible Applicants

An applicant under this program must be a public housing authority, a not-for-profit organization with a current IRS 501(c)3 or (c)4 designation, or a for-profit entity organized under the State of Indiana. The applicant must be the owner or developer of the proposed housing activity.

Any housing activity applying for financing in conjunction with a Rental Housing Tax Credit (RHTC) development (Section 42 of the Internal Revenue Code) must apply through the RHTC application (Qualified Allocation Plan). Applications for Trust Fund financing for a RHTC development that has not yet received an IRS form 8609 from IHFA will not be accepted outside of this process.

Housing Activity Location

The proposed activity must be located within the State of Indiana.

Eligible Housing Activities

The Low Income Housing Trust Fund can be used to finance or refinance the following types of affordable housing:

- Emergency or Youth Shelters
- Transitional Housing
- Migrant/Seasonal Farmer Worker Housing
- Rental Housing (including assisted living facilities that meet the definition in Appendix B)
- Homebuyer Activities
- Owner-Occupied Rehabilitation
- Homeownership Counseling/Down Payment Assistance

Applicants applying for Trust Fund financing for developments that previously received IHFA funding (including HOME or RHTCs), are allowed but will be subject to new underwriting and could potentially risk losing or reducing the previous award from IHFA. Developments that previously received RHTCs must have received their Form 8609 more than five years prior to application.

Applicants applying for Trust Fund financing for developments that previously received a Trust Fund award that has been paid back in full and closed out prior to application submission would be eligible to reapply for another Trust Fund award as long as

- the combined term of both awards does not exceed 7 years, and
- the combined loan amount of both awards does not exceed $500,000 and the maximum loan per unit listed below.

Eligible activities do **NOT** include:

- Nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, and student dormitories.
- Rehabilitation of mobile homes.
- Acquisition, rehabilitation, new construction, or refinance of units within the boundaries of the 100-year floodplain.
- Applicants applying for Trust Fund financing for developments that have an open Trust Fund award for the same property. These applicants should refer to the section labeled Supplemental HOME, CDBG, or Trust Fund Funding for further guidance.

Eligible Beneficiaries

All assisted units must be restricted for occupancy by persons earning no more than 80% of the area median income, as published annually by HUD. Statewide, at least 50% of the beneficiaries must have household incomes at or below 50% of the area median income. **Developments in which greater than fifty percent of the clients are at or below 50% of the area median income are strongly encouraged**.

Funding Limitations

- Maximum loan amount is $500,000.
- Maximum loan per unit:
  - $85,000 for homebuyer and homeownership counseling/down payment assistance, owner-occupied rehabilitation
  - $75,000 for rental, transitional housing, migrant/seasonal farm worker housing, emergency shelters, and youth shelters
- No one applicant can have an outstanding Trust Fund loan balance of more than $750,000.
- Recipients will be limited to no more than 20% of the loan amount applied to program delivery costs.
- Recipients cannot be reimbursed for staff costs with a Trust Fund loan.

Loan Term

- The Trust Fund is to be used as short-term financing up to 7 years.

Matching Funds Requirements

- A ten percent (10%) match is required. This match may be provided by donated land, buildings, material, cash, and grants or loans from sources other than IHFA's CDBG or HOME programs. If the applicant is requesting HOME or CDBG funds for the same housing activity, they may propose the same sources of match for both the LIHTF as they are for the HOME or CDBG award. Other sources of match may also qualify. Contact your IHFA Allocation Analyst if you have questions about a specific source.

Trust Fund Activity Provisions

- Types of loans may include:
  - Construction Loan
  - Short-term Permanent Financing
  - Loan Pool
  - Refinancing of existing mortgage
- Recipients of Trust Fund loans cannot reloan the funds to any other entity except the beneficiary.
- The applicant must demonstrate that the Trust Fund is not being used for bridge financing of the equity contribution. IHFA will consider several factors including, but not limited to, the timing of equity payments, the amount of permanent debt once all equity is contributed, the amount of the construction loan, etc.
- ***Security or Collateral -*** A Trust Fund loan must be fully secured, usually by two sources. The Trust Fund loan can be subordinated to other financing, but there must be sufficient collateral to fully cover the amount of the loan. IHFA can also accept liens on personal property, liens on other real estate, and in some instances, personal guarantees. The security pledge should reflect the degree of risk inherent to the housing activity and must be proportionate to the level of funding requested. The appropriateness of the security offered will be an element of the funding decision.
- ***Repayment Plan*** – All applications for Trust Fund loans must provide evidence of a commitment for takeout financing and a credible repayment plan.
- Rental applications must include a completed Rental Development Package with their application (see Appendix G).
- If applicable, Trust Fund recipients of permanent financing will be required to resubmit an updated Rental Development Package upon construction completion. IHFA will compare this information with the original application. If there are any changes that would have originally resulted in a lower award amount, the recipient may be have their award reduced or terms altered.
- Applicants wanting to utilize the *Live a Dream/Own a Home*© curriculum for homeownership counseling can find information for ordering the materials in Appendix K.
- Award recipients will be required to provide proof of adequate builder's risk and property insurance for all assisted properties throughout the affordability period of the award. Recipients doing owner-occupied rehabilitation or homeownership counseling/down payment assistance will <u>not</u> need to provide proof of homeowner's property insurance.
- Award recipients of Trust Fund awards for emergency shelters, youth shelters, migrant/seasonal farm worker housing, transitional housing, and rental housing will be required to report certain information about

beneficiaries of assisted units to IHFA annually throughout the affordability period. See the Trust Fund Implementation Manual for further guidance.

- The State of Indiana, Department of Financial Institutions, may require that an entity providing secondary financing, and that also meets certain criteria listed below, be licensed by the State of Indiana.
  1. The loans must be issued in the entities name.
  2. The entity must be regularly engaged in making loans by issuing either more than five (5) loans secured by a second mortgage (lien) or more than twenty-five (25) loans if not secured by a mortgage within a twelve (12) month period.
  3. The debt repayment or contractual obligation must be for a term of more than four (4) installments or impose a finance charge at repayment.
  - An application for a loan license as well as a brochure on lending is available at the Department of Financial Institutions website at http://www.dfi.state.in.us, under consumer credit.

Rent Restrictions

- The Trust Fund-assisted units will be rent controlled throughout the affordability period to ensure that the units are affordable to households at the targeted income levels.
- The applicant cannot charge more rent than the applicable rent limit for each income level served with Trust Fund-assisted units. For example, if a unit is set-aside for households at or below 40% of the area median income, the applicant must charge a rent that does not exceed the 40% rent limit, as published annually by IHFA's Community Development Department.
- If an SRO unit does not have kitchen or bathroom facilities, or has either of these but not both, the maximum SRO rent will be 75% of the applicable rent limit for an efficiency. For an SRO unit with both kitchen and bathroom facilities, the maximum SRO rent will be 100% of the applicable rent limit for an efficiency. For example, the Fair Market Rent for a 0-bedroom unit in a given county is $300 and the 40% AMI rent limit for a 0-bedroom unit in the same county is $250. The 40% rent limit for an SRO unit in that county that only has a bathroom and not a kitchen would be $225 ($300 X 75% = $225, which is less than $250).
- Published rent limits include the cost of any tenant-paid utilities. You must subtract from the published rent limit an approved utility allowance for all utilities that the tenant will be responsible for. For example, the rent limit in a given county is $300. The utility allowance for gas heat is $28, for other electric is $20, and for water is $13. For a unit where the tenant will pay for gas heat, other electric, and water, the maximum allowable rent would be $239 ($300 - $28 - $20 - $13 = $239).
- If the applicant proposes to receive all or a portion of the rent payment via a tenant-based voucher (rental subsidy), the total tenant rent (see Definitions in Appendix B) cannot exceed the published rent limits for the applicable income level. For example, a tenant residing in a unit set-aside for households at or below 40% of the area median income has a voucher that pays $100 of his/her rent, and the published utility allowance for tenant paid utilities for the unit is $50. If the published 40% Rent Limit is $300, the tenant paid portion of rent cannot exceed $150 ($300 Rent Limit - $100 Section 8 Voucher - $50 Utility Allowance = $150 Maximum Tenant Paid Portion).
- If the development has project-based rent subsidy from another HUD or Rural Development program and it will serve all beneficiaries at or below 50% of the area median income for that county, then the rent limits established by the rent subsidy would supercede the Trust Fund rent limits under this program.
- Rent limits do not include food or the costs of supportive services.
- All tenants who occupy Trust Fund-assisted units must be income recertified on an annual basis. Section 8 definitions of household income apply.

Underwriting Criteria for Rental Activities

- In order to receive a favorable consideration for funding, applicants are strongly encouraged to utilize IHFA's underwriting criteria in planning rental developments. Applications for developments that differ from these criteria will have to make a strong and credible argument in their application as to why their criteria is more appropriate for that development. Acceptable arguments include, but are not limited to, past history of managing these units or similar units, existing contracts or agreements to provide services at a rate that differs from the criteria, requirements of another funding source such as a bank, or past experience with the targeted population that indicates higher or lower operating costs.
  - Operating Expenses - $2,700-3,000/unit or 35% of gross income, whichever is greater

- Management Fee – 5-7% of "effective gross income" (gross income for all units less vacancy rate), 1-50 units, up to 7%, 51-100 units, up to 6%, and over 100 units, up to 5%
- Vacancy Rate (for year 2 and beyond) – 5-7%.
- Rental Income Growth – 1-2%/year
- Operating Reserves – four (4) months of operating expenses plus four (4) months of debt service.
- Replacement Reserves - $175 - $300 per unit per year. This item may be capitalized through the development budget (Exhibit 8) or through operating cash flow.
- Operating Expense Growth – 3-4%/year
- Second year debt coverage ratio minimum of 1.15, maximum of 1.35

Other Regulatory Requirements

- All regulatory requirements of I.C. 5-20-4 must be met.
- Trust Fund-assisted units must, at a minimum, meet the stricter of the local building codes or the Indiana State Building Code.
- The housing must meet the accessibility requirements of 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet the design and construction requirements at 24 CFR 100.205, which implement the Federal Fair Housing Act Amendments of 1988 (42 U.S.C. 3601-3619). See Appendix L for guidance on the regulatory requirements of Section 504 Accessibility Standards.
- Trust Fund assisted developments must abide by the lead-based paint hazard regulations of 24 CFR Part 35. See Appendix M for further explanation.

Affordability Requirements

- There is a 15-year affordability period for rental housing, transitional housing, emergency shelters, youth shelters, and migrant/seasonal farm worker housing that will be enforced by a written, legally-binding, recorded restrictive covenant on the property.
- Applicants will be required to ensure the income eligibility of the beneficiary for homebuyer, homeownership counseling/down payment assistance, and owner-occupied rehabilitation activities at the time the home is purchased or the assistance is provided.

Eligible Activity Costs

ACQUISITION – Limited to the purchase price and related costs associated with the acquisition of real property.

DOWN PAYMENT ASSISTANCE – This line item should include the down payment assistance, closing costs, principal reduction, or interest rate buy-downs provided to program participants.

NEW CONSTRUCTION -

- Hard costs associated with new construction activities.
- Utility connections including off-site connections from the property line to the adjacent street.
- Related infrastructure costs - improvements to the development site that are in keeping with improvements of surrounding, standard housing activity. Site improvements may include on-site roads and water and sewer lines necessary to the development.
- For multifamily rental housing, costs to construct an on-site management office, the apartment of a resident manager, or laundry or community facilities which are located within the same building as the housing and which are for the use of the tenants and their guests.
- Stoves, refrigerators, built-in dishwashers, garbage disposals, and permanently installed individual unit air conditioners
- Contingency funds used for unanticipated hard cost overruns or change orders.

REHABILITATION –

- Hard costs associated with rehabilitation activities.
- Lead-based paint interim controls and abatement costs.
- Utility connections including off-site connections from the property line to the adjacent street.

- Related infrastructure costs - improvements to the development site that are in keeping with improvements of surrounding, standard housing activity. Site improvements may include on-site roads and water and sewer lines necessary to the development.
- For multifamily rental housing, costs to rehabilitate an on-site management office, the apartment of a resident manager, or laundry or community facilities which are located within the same building as the housing and which are for the use of the tenants and their guests.
- Stoves, refrigerators, built-in dishwashers, garbage disposals, and permanently installed individual unit air conditioners
- Contingency funds used for unanticipated hard cost overruns or change orders.

DEMOLITION – Costs associated with the demolition and clearance of existing structures.

COMMERCIAL DEVELOPMENT COSTS - All costs associated with the construction or rehabilitation of space within a development that will be used for non-residential purposes such as offices or other commercial uses. This does not include the common area used by tenants of rental property or the leasing office of the apartment manager. Trust Fund awards cannot be used to underwrite any portion of the commercial costs. The expenses incurred and income to be generated from the commercial space must be reported in a separate "Annual Expense Information" sheet and 15-year proforma (see Appendix G).

PROGRAM DELIVERY - Program delivery costs include those soft costs that are reasonable and necessary for the implementation and completion of the proposed housing activity. These costs are limited to 20% of the Trust Fund award amount.

Eligible Program Delivery costs include:

Engineering/Architectural Plans	Credit reports	Client in-take/income verification
Plans, specifications, work write-ups	Title searches	Impact fees
Inspections	Recording fees	Lead hazard testing
Costs estimates	Private lender origination fees	Realtor fees
Building permits	Appraisals	Legal and accounting fees
Demolition permits	Travel to and from site	Utilities of assisted units

RELOCATION - This includes relocation payments and other relocation assistance for permanently and/or temporarily relocated individuals, families, businesses, nonprofit organizations, and farm operations where assistance is required and appropriate. Relocation payments include replacement housing payments, payments for moving expenses, and payments for reasonable out-of-pocket expenses for temporary relocation purposes.

HOMEOWNERSHIP COUNSELING – Those costs associated with formal training provided to prospective homebuyers.

Eligible costs include:

Course material development	Intake	Income verification
Related travel	Meeting space	Loan processing
Underwriting	Credit reports	Program management
Professional services	Postage	Marketing and advertising

DEVELOPER'S FEE – Compensation to the developer for overseeing the development activities.

REPLACEMENT RESERVES – Funds used to initially capitalize a reserve fund used for major capital repairs to a rental housing facility. These funds can be capitalized either through operating cash flow or through the development budget on Exhibit 8: Uses of Funds.

OPERATING RESERVES – Funds used to initially capitalize a reserve fund that covers operating expenses when there are rental income shortfalls over the life of a rental development. This line item <u>must be</u> included for rental developments and should be at least 4 months of operating expenses plus 4 months of debt service.

ADMINISTRATION - The administration line does not apply to Trust Fund awards and is an ineligible cost.

CHDO OPERATING COSTS – This line item does not apply to Trust Fund awards.

ENVIRONMENTAL REVIEW – This line item includes expenses associated with the Section 106 Review and environmental review release of funds process. It is not required for a Trust Fund assisted development but may be for other sources of funds. This does not refer to a Phase 1 assessment. Those expenses should be included in the program delivery line item. Eligible costs for this line item are generally between $2,000 and $5,000 and include professional services, publication costs, photocopying, and postage. For further information regarding this activity, please read the Environmental Review Procedures in Appendix A or contact your Allocation Analyst.

TRANSITIONAL HOUSING, EMERGENCY SHELTER OR YOUTH SHELTER OPERATING COSTS – This line item does not apply to Trust Fund.

INELIGIBLE COSTS: The following costs are generally ineligible for reimbursement from a Trust fund award:

- Cost associated with any application preparation
- Purchase or installation of luxury items, such as swimming pools
- Purchase or installation of equipment, furnishings, tools, or other personal property that is not an integral structural feature, such as window air conditioner units or washers and dryers. Allowable exceptions to this prohibition, however, include stoves, refrigerators, built-in dishwashers, garbage disposals, and permanently installed individual unit air conditioners
- Costs of supportive services
- General operating expenses or operating subsidies
- Tenant based rental assistance
- Mortgage default/delinquency correction or avoidance
- Annual contributions for operation of public housing
- Staff costs

Supplemental HOME, CDBG, or Trust Fund Funding

From time to time we become aware of developments that are having difficulty securing full financing or have experienced unanticipated cost overruns. For these reasons, IHFA, in its sole discretion, will accept and review requests for supplemental HOME, CDBG, or Trust Fund funding on a case-by-case basis.

The availability of supplemental funding is intended as a one-time award to address financial shortfalls that have arisen due to factors beyond the applicant's control such as, but not limited to, unforeseeable cost overruns due to Davis-Bacon wage rates, historic preservation requirements, or unforeseen site conditions. It is not intended as a means to alter the original scope of the development, as bridge financing to cover the costs of slower than anticipated lease-up or home sales, as a short-term solution for developments that are not otherwise financially viable, or as financing of normal construction delays due to the fault of the contractor. Further, HOME, CDBG, or Trust Fund funds may not be used to refinance existing permanent debt, except as indicated under the eligible activity description for HOME Rental.

Applicants should note that all information provided in a supplemental funding request will be shared between IHFA's various allocation and compliance departmental staff. Receipt of information inconsistent with prior submittals may trigger further review and action by IHFA, and may ultimately jeopardize previously allocated funds.

Eligible Applicants

Requests for a supplemental HOME, CDBG, or Trust Fund award will be accepted from recipients of IHFA awards if the development fits one of the alternatives described below:

- Construction or rehabilitation of the development has not yet begun.
- Construction or rehabilitation of the development has begun, but has not yet been completed, and the HOME, CDBG or Trust Fund award has not been fully drawn down.
- The development was funded through the Housing from Shelters to Homeownership program, and the final draw down occurred no more than six months prior to the supplemental funding application deadline.
- The development received HOME funds in conjunction with Rental Housing Tax Credits (RHTC). The final HOME draw down occurred no more than six months prior to the Supplemental Funding application due date, and neither the Final Multi-Family Housing Finance application nor the RHTC Cost Certification has been submitted to IHFA.

Application Fee

Applicants requesting supplemental funding must pay IHFA a non-refundable application fee on or before the Intent to Submit Form Due Date.

Applicant Type	**Fee**
Not-for-profit organization	$100
Local units of government	$100
For-profit organization	$250
Not-for-profit/for-profit joint venture	$250

Letter of Intent and Application Requirements

The applicant must first submit a Letter of Intent by one of the application due dates listed in the Application Process section. It should demonstrate that:

1. Additional HOME, CDBG, or Trust Fund funds are necessary to fill a financing gap or to cover unanticipated cost overruns.
    a. The applicant must indicate the amount of initial HOME, CDBG, or Trust Fund funding along with the requested supplemental funding amount.
    b. The applicant must explain how the development costs have changed since the initial application, why a financing gap now exists, and/or why construction overruns occurred.
    c. The applicant must submit initial and current detailed construction budgets containing specific line items and identifying variances.

   d. The applicant must identify what specific steps were initially taken to avoid the cost overruns that ultimately occurred.
2. Firm commitments have been received for all other funding sources, and the supplemental funding request is the last source needed to fill the financing gap or to cover unanticipated cost overruns.
   a. The applicant must enclose a copy of all current funding commitments.
3. Other avenues of gap financing have been thoroughly explored.
   a. The applicant must fully disclose all other funding sources that have been approached.
   b. Additionally, the applicant must provide copies of all funding denial letters and indicate the reason given for denial.
4. Total development costs as given in the proposed budget are firm.
   a. The applicant must ensure that final costs will increase no more than three percent over current estimates.
   b. The applicant must submit firm quotes from contractors demonstrating that the amount estimated to complete work is sufficient.
5. At the time of full application, combined initial and supplemental HOME, CDBG or Trust Fund requests will meet all criteria given in the current Housing from Shelters to Homeownership application package.
   a. These criteria include, but are not limited to: maximum award amount for the activity type, per unit subsidy limitations, developer's fee limitations, twelve month award cap, and environmental review completion requirements.
6. The entire development (including assisted and non-assisted units) will be completed within the later of the original award expiration date or twelve months from the anticipated supplemental award announcement date.
   a. The applicant must provide a detailed timeline indicating progress to date.
   b. They must also identify target dates for achieving major milestones throughout the remainder of the award timeframe.
7. The rate of lease-up or home sales is consistent with original estimates (if construction or rehabilitation is complete).
   a. The applicant must provide documentation demonstrating how estimates have been met.

Upon receipt of the Letter of Intent and required support documentation, IHFA staff will contact the applicant to schedule a meeting to discuss the potential funding request. Staff will utilize information provided in the Letter of Intent and this meeting to determine if all criteria have been met.

Award Recommendations

Staff will carefully review each request to determine the best use of limited funding resources. Supplemental funding recommendations will be made based on a number of factors including, but not limited to:

- Availability of HOME, CDBG, or Trust Fund resources
- Whether the funding gap is the direct result of a shortfall beyond the control of the applicant or a result of foreseeable conditions
- The rate of lease-up or home sales
- Timeliness of progress made to date on the development
- Reasonableness of the remaining development timeline
- The amount of supplemental funds requested in comparison with the original award amount

IHFA anticipates making supplemental HOME, CDBG, or Trust Fund recommendations during funding rounds when award recommendations for new applications fall below IHFA's internal funding goals. IHFA, however, reserves the right and shall have the power to allocate funds to a development, if such intended allocation is: (1) in compliance with applicable statutes; (2) in furtherance of promoting affordable housing; and (3) determined by IHFA's Board of Directors to be in the interests of the citizens of the State of Indiana.

Assistance may be provided in the form of grants or loans. Funds will be awarded only in amounts appropriate to the scope of the identified need and will not include any soft costs. IHFA reserves the right to determine the exact amount and type of assistance needed for each development.

The supplemental funding process is intended to give qualified HOME, CDBG or Trust Fund recipients a one-time opportunity to seek additional funds. IHFA determinations regarding a HOME, CDBG, or Trust Fund allocation are final. No further requests will be accepted for the same development.

Rent Limit Adjustments

Federal HOME regulations prohibit IHFA from making supplemental HOME awards during a HOME-funded development's affordability period, unless the award is made within one year of project completion or the supplemental funding assists a homebuyer in acquiring housing previously assisted with HOME funds [see 24 CFR 92.214(a)(7)].

HUD states at 24 CFR 92.252(g) that changes in the rent limits over time should be sufficient to maintain the financial viability of a development. However, the regulations go on to say, "HUD may adjust the HOME rent limits for a project, only if HUD finds that an adjustment is necessary to support the continued financial viability of the project and only by an amount that HUD determines is necessary to maintain continued financial viability of the project. HUD expects that this authority will be used sparingly."

If award recipients find that the published rent limits are insufficient for a specific HOME-funded development, IHFA will consider a request to adjust the 40% or 30% AMI rent limits. For 60% or 50% units, we would forward the request to HUD on the recipient's behalf. In either case, the petitioner would be required to demonstrate how the increased rents would continue to be affordable for the targeted tenants.